

Newsletter on the Common Agricultural Policy

No. 6

April 1968

CONTENTS

	<u>Page</u>
<u>Regulation of the market in plants, bulbs, cut flowers etc.</u>	2
<u>Review of recent studies</u>	
1. Grading of inedible horticultural products	7
2. Trends in the structure of agricultural holdings	9

Regulation of the market in plants, bulbs, cut flowers etc.

On 27 February 1968 the Council of the European Communities adopted a regulation establishing a common organization of the markets in live trees and other plants, bulbs, roots and the like, cut flowers and ornamental foliage. This regulation lays the foundation for a common market policy for a whole range of agricultural products which are in quite a different position to the bulk of the Community's farm products.

- (a) In 1966 the EEC's surplus on trade with non-member countries in these products was more than 88 million units of account - about 10% of the value of total output.
- (b) The EEC is a leader in the world market in bulbs.
- (c) In 1966 production was valued at approximately 150% of the 1960 figure. Because of inadequate statistics it is not possible to say whether there has been any significant change in the area used for crops in the open; the area under glass, however - and this is the most intensive form of cultivation - increased to the same extent as the value of production (150%). The surplus on trade with non-member countries in 1966 was only 12% up on 1960. It is clear from these figures that there has been a considerable increase in Community consumption. The market was able to absorb the substantial growth in output without serious dislocation and without government intervention (which is not usual in this industry) being required.
- (d) The special nature of the products covered by the new regulation means that the six governments do not need to ensure regular supplies or see to it that consumers can buy at reasonable prices, these being two of the general aims of the common agricultural policy laid down in Article 39 of the Treaty of Rome.

All this accounts for the market organization for these products being quite different from other market organizations.

.../...

The regulation covers the whole of Chapter 6 of the Brussels Nomenclature, including:

- (i) Bulbs, tubers, corms and rhizomes;
- (ii) Other live plants, including all kinds of nursery plants (forest, vine, ornamental, etc.);
- (iii) Cut flowers;
- (iv) Foliage, branches and other parts of trees, shrubs, bushes and other plants, and mosses, lichens and grasses, of a kind suitable for bouquets or ornamental purposes.

The regulation provides for the adoption of common quality standards for all these products where this appears appropriate.

On 11 March 1968 the Council adopted two further regulations:

- (a) the first laying down quality standards for dormant bulbs and tubers,
- (b) the second laying down quality standards for fresh cut flowers and fresh foliage.

The purpose of the quality standards for bulbs is to provide the private gardener with a guarantee that bulbs bought by him will flower, even under the very unfavourable conditions often found in private gardens. For this reason the standards will only be applied to bulbs sold to the final consumer. It follows from this limitation that the quality standards must be applied at retail level and that quality controls must be carried out at that level too, since this is the only stage at which a distinction is made between bulbs sold for different purposes. To protect the private grower, the basic regulation contains a clause which requires that when goods are offered for sale to the public at a stated price, the size to which these prices refer must be indicated in the case of those products for which standards have been adopted. This is an important clause for bulbs because these are very often ordered by post from nursery catalogues.

Since quantitative restrictions and measures equivalent in effect are now prohibited in intra-Community trade, commercial gardeners can import from other member countries bulbs which are not up to standard but have an economic value for the commercial gardener. Competition between the Community's commercial gardeners

in bulb-growing had previously left much to be desired. The regulation has now improved the position, since Belgium and the Netherlands have agreed to decontrol the export of bulbs which do not come up to the high standard demanded by private growers. The ban on exports of small, inferior bulbs has no doubt helped to build up the world-wide reputation of Belgian and Dutch bulbs, but it has also meant that commercial growers in other Community countries have been barred access to low-priced raw materials.

It goes without saying that bulbs exported to non-member countries must be up to standard, since exporters have no control over the use to which bulbs are eventually put.

The quality standards for fresh cut flowers and fresh foliage are to provide the Community-wide norms that have hitherto been lacking. Their adoption means that marketing will be rationalized, the foundations will be laid for the full knowledge of market conditions that buyers and sellers must have, and the growing of good-quality flowers will be encouraged.*

In this regulated market it will be possible to introduce uniform minimum prices for bulbs exported to non-member countries. This is a very valuable element of Belgian and Dutch arrangements which has now been taken over by the Community. Because of their leading position on the world market these two countries could, by means of this minimum export price, keep the market sound in their own interests and at the same time shield growers in other countries from cutthroat competition.

The common customs tariff will be applied to all products covered by the new regulation from 1 July 1968. Before that date the necessary provisions on the co-ordination and standardization of regulations applicable to imports from non-member countries must be adopted, for application from 1 January 1969 at the latest.

This body of import regulations must be given a great deal of attention since it is closely related to the escape clause contained in this regulation, the substance of which must be further defined in the context of overall agricultural policy.

.../...

* The purpose of these standards requires that they be applied in trade with non-member countries and in wholesale trade within the Community.

From 1 July 1968 the following will be prohibited in intra-Community trade:

- (a) customs duties or charges equivalent in effect;
- (b) quantitative restrictions or measures equivalent in effect;
- (c) minimum price arrangements.

Certain exceptions have to be made because of the variety of products covered by this regulation. In the case of material for the vegetative propagation of vines, for example, the application of these general provisions, with the exception of (a), will become necessary only when the decisions which the Council is to take on trade in these materials come to be implemented in all Member States.

Quantitative restrictions and measures equivalent in effect will be prohibited in the case of potted plants and fruit-tree seedlings from 1 January 1969. Recourse to Article 44 of the Treaty will not be allowed either. Should it become necessary to adopt special measures for these products, the Council will do so - whether they are needed because of the introduction of quality standards, or because the technical or genetic level of production has to be preserved or improved, or in the light of marketing experience gained through implementation of the regulation.

In the case of fruit-tree seedlings the first two reasons will be the main ones, but the third will be the main reason with potted plants. Some Member States felt that they could not expose their growers of potted plants to the chill winds of free competition within the Community by 1 July 1968.

Apart from material for the vegetative propagation of vines and fruit-tree seedlings, the regulation also applies to other reproductive material - for example, for forestry. A special clause therefore states that the regulation is valid without prejudice to the provisions made or still to be made for the alignment of member countries' laws and regulations designed to maintain or improve the technical or genetic standards of material intended for reproduction.

Quite clearly, therefore, measures to improve reproductive material will still be possible and will not be prejudiced by the joint regulation of the market.

.../...

The work of organizations which have been particularly constructive for many years past will be stimulated by the adoption of Community measures to encourage growers' associations to improve quality, organize production and marketing, and observe market trends.

The regulation also contains general provisions such as are found in other regulations on the common organization of markets in other farm products too:

- (a) Articles 92 to 94 of the Treaty of Rome, which deal with aid, are to apply to the products covered by the new market organization.
- (b) A Management Committee for plants, bulbs, cut flowers and the like is to be established.

.../...

Reviews of recent studies

1. Grading of inedible horticultural products

(Studies, Agricultural Series, No. 23)

The grading of agricultural products is not only a prerequisite for regulated markets but is also an indispensable means of improving the existing marketing system and extending it to a larger market. Trade in inedible horticultural products has expanded so vigorously since the end of the war that one can now speak in terms of an international market, and for some of these products the use, for example, of air transport to keep a balance between demand and supply is already quite common. Those responsible for the regulation of a single agricultural market must therefore devote some attention to this branch of production.

The study which has now been published in the four official languages of the Community has been available for some time in preliminary French and German versions to individuals directly concerned or interested in the grading of inedible horticultural products. The Institute for Horticultural Management and Market Research of the Hanover School of Technology was commissioned to carry out this study.

It examines the possibility of adopting uniform grades for inedible horticultural products in the European Communities. It begins by dealing with the considerable differences between industrial and agricultural products when it comes to grading. It seems that the real problem of grading agricultural products lies in the fact that there is very little possibility of controlling the production process itself. The variety of agricultural products, particularly of the products covered by this study, means that uniformity can be achieved only by means of a sorting process subsequent to the production process. This is common to many agricultural products where concentrated demand must be met by equally concentrated supplies - i.e. uniform and available in large lots.

.../...

A review of existing systems of grading inedible horticultural products shows that, for the most part, they came into being under the influence of individual factors and do not therefore offer the necessary prerequisites for further development and standardization.

The possible methods of grading are examined in special appendices. These hinge on the definition and classification of the properties of the individual products which determine their value. Where properties are common to a number of grades, they must be subdivided in such a way that products falling into any given grade can be regarded as comparable in type and in value. The study has appendices on:

- I. Cut flowers and foliage
- II. Ornamental plants (potted plants)
- III. Nursery products
- IV. Bulbs and tubers.

In addition to technical considerations, appropriate organizational measures are suggested to ensure reliable sorting and to guarantee the quality of the goods offered. These measures gain added importance in a larger market.

An improvement in marketing conditions depends in large measure on buyers and sellers having adequate knowledge of market conditions, and for this reason the problem of reports on the market situation in inedible horticultural products was examined in conjunction with the study on grading. French and German versions will appear shortly in the Internal Information on Agriculture Series published by the Directorate-General for Agriculture.

.../...

2. Trends in the structure of agricultural holdings:

Reasons prompting farmers to abandon farming or change to another type of farming

(Internal Information on Agriculture Series, No. 20)

This survey analyses the present position and discusses trends in the structure of agricultural holdings and the agricultural population in the member countries of the EEC. It examines the causes and effects of consistent trends in the Community.

A group of experts from the member countries were commissioned to carry out this survey. Although the survey was along the same lines in all six countries, the results vary considerably from one country to the next. Trends are obviously similar in many ways, but the time element varies too much from one country to another to make it possible to give an overall picture. Furthermore, there were relatively few previous surveys for the experts to rely on. It seemed best therefore to publish the six country reports in their entirety, with a summary report prefacing them and indicating the trends which are common to all six.

One thing which emerges from all the reports is that the social and economic situation in agriculture, and of those engaged in agriculture, is overwhelmingly determined by factors external to the industry and that one of the main problems to be tackled in the realm of structure policy is the adjustment of agriculture to a dynamic industrial society.

The viability of a modern agricultural holding depends to a considerable extent on the individual farmer having sufficient land and capital. Farmers are entitled to a certain income and to a certain standard of living, and this can only be achieved within the framework of given production and marketing facilities. Since, however, the demand for farm products is increasing less rapidly than incomes in general, the ratio between land, labour and capital must be constantly corrected if those engaged in agriculture are to enjoy a standard of living comparable with that enjoyed in other sectors of the economy.

.../...

The study examines in depth the factors which make farmers decide to give up their holdings and which lie behind the flight from the land. These decisions are certainly not determined by income considerations alone. Outmoded agricultural ideas are often still at the root of the behaviour of the older generation.

One of the angles from which the need to give top priority to guaranteeing a fair income to farmers is examined is that supplementary and subsidiary earnings also play a role in the pattern of farming.

The study concludes that there is a need for surveys, particularly of the microsociological factors which have a decisive influence on changes in the structure of agricultural holdings and the rural population.

These studies may be obtained from the Directorate-General for Agriculture of the Commission of the European Communities, Directorate for Agricultural Economics and Legislation (Balance Sheets, Studies and Informations Division), 129 rue Stévin, Brussels. The study on trends in the structure of agricultural holdings is available in French and German only.